

## Residential development land values broadly flat in 2012

**Knight Frank's residential development land index shows that development land values remained largely unchanged in 2012 throughout England and Wales. Values in prime central London edged up by 2.5% through the year, after a 20% rise in 2011. Gráinne Gilmore examines the data:**

### Results for Q4 2012

The average value of residential land in England and Wales **fell by 0.2% in Q4**

Average land values in England and Wales **dipped by 0.3% in 2012**

**Prime central London land prices rose by 1.4% in Q4**, taking the annual increase in prices to 2.5%

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Residential development land prices in England and Wales were stable in 2012, continuing the trend seen in 2011. House prices also remained broadly unchanged across much of England and Wales last year and there is little expectation of growth in the coming year. Land prices are consistent with this.

However, there are some areas which are seeing more activity than others. Geographically, south east England is a key target for housebuilders, as are market towns across the country. Sites in towns boasting a healthy local economy, and the employment prospects which come as a result of that, are always in demand, but never more so than now.

In terms of sites, those with planning consent which are suitable for between 50 and 100 units attract the most interest – multiple bids are not unusual in these circumstances.

The fundamentals underpinning demand for such sites are closely linked to what is happening in the housing market. Developers and housebuilders are seeking to build family houses with three or more bedrooms in locations where the local economy is outperforming. By attracting families who have already owned a home, they are targeting buyers who are 'equity rich', and able to access finance despite the current constraints in the mortgage market.

As can be seen from the recent trading updates from housebuilders, the sector is in good

health, with many housebuilders growing their margins. This is set to remain the case in 2013.

The Government remains the most active seller of land as it seeks to dispose of large Ministry of Defence sites. Private landowners also remain active in the market.

Land prices in London responded to the strong performance of property prices at the end of last year. Average house prices in prime central London also rose by 1.4% in the last three months of 2012 and although this pushed annual price growth to 8.7%. Such a rise during the year has not been replicated in land prices however, with a more modest 3% rise during 2012.

There has been continued interest in development sites with scale, offering an opportunity to add value. Indeed, there is a real demand for sites with planning in place so investors can take advantage of the short-term cycle in London.

It is also noticeable that housebuilders are exerting more pressure on land prices in central London as their attention has been increasingly drawn by the opportunities in the capital. Housebuilders who traditionally focussed on the regions are entering the market. They are currently strong in the fringe areas but may possibly enter more central areas, albeit on lower profile schemes.

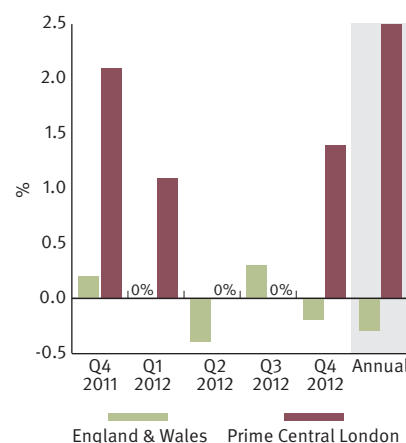
Follow Gráinne on twitter at [@ggilmorekf](#)

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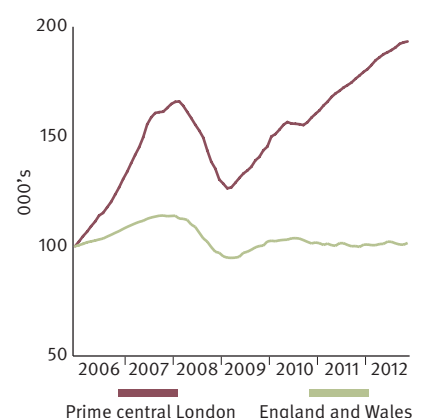
Gráinne Gilmore, Head of UK Residential Research

Figure 1  
**Growth in development land values**



Source: Knight Frank Residential Research

Figure 2  
**How house prices compare**



Source: Knight Frank Residential Research, DCLG

# RESIDENTIAL RESEARCH RESIDENTIAL DEVELOPMENT LAND INDEX



## PCL res dev land index

Date	Res dev land index	12-month % change	6-month % change	3-month % change
Sep-11	100.00			
Dec-11	102.05			2.1%
Mar-12	103.20		3.2%	1.1%
Jun-12	103.20		1.1%	0.0%
Sep-12	103.20	3.2%	0.0%	0.0%
Dec-12	104.63	2.5%	1.4%	1.4%

Source: Knight Frank Residential Research

## England and Wales res dev land index

Date	Res dev land index	12-month % change	6-month % change	3-month % change
Sep-11	100.00			
Dec-11	100.18			0.2%
Mar-12	100.22		0.2%	0.0%
Jun-12	99.85		-0.3%	-0.4%
Sep-12	100.11	0.1%	-0.1%	0.3%
Dec-12	99.87	-0.3%	0.0%	-0.2%

Source: Knight Frank Residential Research

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#### Notes to Editors

We have refined our methodology for our development land series and our new series is not directly comparable to previous residential development land data. Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank and its New York-based global partner, Newmark Knight Frank, operate from 244 offices, in 43 countries, across six continents. More than 7,067 professionals handle in excess of US\$817 billion (£498 billion) annually, advising clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Company, please visit [www.knightfrank.com](http://www.knightfrank.com).



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